

Message Text

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PAGE 01 SUVA 01109 160635Z

ACTION EA-12

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-08

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02

OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 DEAE-00 IO-13

JUSE-00 SNM-02 NSC-05 OES-07 DODE-00 PM-05 H-01

L-03 PA-01 PRS-01 SS-15 /120 W

-----119764 160651Z /15

R 160400Z SEP 77

FM AMEMBASSY SUVA

TO SECSTATE WASHDC 6479

INFO AMEMBASSY CANBERRA

AMEMBASSY WELLINGTON

AMCONSUL VANCOUVER

AMCONSUL SYDNEY

CINCPAC HONOLULU HI

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CINCPAC FOR POLAD

E.O. 11652: N/A

TAGS: EFIN, TN

SUBJECT: TONGAN BANK OF THE SOUTH PACIFIC

REF: A) WELLINGTON 3999, B) WELLINGTON 1697

1. I HAD OPPORTUNITY DISCUSS SHADOWY BANK OF SOUTH PACIFIC OPERATION

WITH SEVERAL GOVT AND DIPLOMATIC SOURCES ON TONGA DURING RECENT VISIT, INCLUDING BRIEF REMARKS WITH KING. ALL BUT KING EXPRESSED RESERVATIONS REGARDING BANK AND ITS LEADERSHIP.

2. BANK PRINCIPALS INCLUDE THOSE LISTED REF A BUT SENIOR KNOWN MEMBER OF CONSORTIUM IS AMERICAN RESIDENT IN VANCOUVER, JOHN MEYER OR MEIER. MEYER IS REPORTEDLY FORMER SENIOR HOWARD HUGHES EXECUTIVE

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PAGE 02 SUVA 01109 160635Z

WANTED IN NEVADA FOR QUESTIONING ON TAX MATTERS. SOON AFTER ARRIVING IN CANADA, THOUGH STILL U.S. CITIZEN, HE REPORTEDLY OBTAINED INTERCESSION OF A CANADIAN MP TO HALT ALLEGED HARASSMENT BY CIA.

3. EHRENHOLZ IS REPORTEDLY LAWYER ON VERGE OF DISBARMENT, SEATON NOT LISTED AT GIVEN ADDRESS IN GRAND CAYMAN AND ASSAULT,

LEAST KNOWN OF FOUR, IS SAID TO BE HARDWARE MERCHANT. NONE ARE KNOWN
TO HAVE BANKING BACKGROUNDS; ALL EXCEPT ASSENEAN SAID TO HAVE VISITED
TONGA NNAND TO BE BRIGHT, PERSONABLE, PLAUSIBLE. CONNECTION BETWEEN
KING AND CONSORTIUM ENGINEERED BY WATERHOUSE, A LEADING AUSTRALIAN
BOOKIE AND TONGAN HONORARY CONSUL GENERAL IN SYDNEY OR MEMBOURNE.
BANK'S RESIDENT REP. IS HELPLEWHITE, EX-BOOKIE AND PROMOTER, WHO
SUDDENLY GROWN LARGER THAN LIFE IN NUKU'ALOFA.

4. DESCRIBED AS MERCHANT BANK, ITS EXACT MODE OF OPERATION REMAINS
SUBJECT OF CONSIDERABLE PUZZLEMENT. MAIN OFFICE WILL APPARENTLY REMAIN
VANCOUVER, WITH NUKU'ALOFA BRANCH HANDLING OFFSHORE ACTIVITIES
FREE OF TAXES ACCORDING TO CHARTER APPROVED BY PRIVACY COUNCIL. BANK
CANNOT RECEIVE DEPOSITS, LITTLE MONEY WILL BE ACTUALLY HANDLED WITHIN
TONGA, AND OPERATING FUNDS ARE TO BE HELD BY BANK OF TONGA WHICH
EXERCISES SOLE RIGHTS TO COMMERCIAL BANKING ACTIVITIES. ACCORDING
KING, CAPITAL IS CANADIAN, JAPANESE, AND ARAB.

5. BANK HAS PROPOSED FOLLOWING PROJECTS, FOR WHICH IT WOULD BE
PERMITTED ISSUE BONDS TO FINANCE:
(A) UPGRADING FUA'AMOTO AIRPORT TO JUMBO JET STANDARD, KING'S MAJOR

PET PROJECT.
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PAGE 03 SUVA 01109 160635Z

(B) ESTABLISHMENT OF TONGAN FLAG AIRLINE, ANOTHER REGAL ENTHUSIASM.

(C) ESTABLISHMENT OF AIRCRAFT AND BOAT ASSEMBLY INDUSTRIES.

((D) FUNDING OF PHARMACEUTICAL DISTRIBUTION CENTER.

(E) INDUSTRIAL PARK.

BANK REPORTEDLY WILL BE PERMITTED LEVY OR RECEIVE CUT FROM HEAD-
TAX ON PASSENGERS ARRIVING UPGRADED AIRPORT, WOULD BE INVOLVED
IN PROCUREMENT OF AIRLINE AIRCRAFT. ITS ROLE IN REGIONAL DRUG
DISTRIBUTION CENTER MIGHT HAVE OVERTONES OF INTEREST TO NARCOTICS
ENFORCEMENT AGENCIES, IF CENTER DEVELOPS, OWING QUESTIONABLE
BACKGROUNDS OF "BANKERS" INVOLVED.

6. GIVEN TRACK RECORD OF TONGAN DEVELOPMENT SCHEMES, PROPOSED BANK
OF SOUTH PACIFIC PROJECTS SMACK OF PIE IN THE SKY. BUT KING, WHO
HAS HEART SET ON AIRPORT EXPANSION, VIEWS MEYERS AND CO. AS POSSIBLE
BENEFACTORS, DISMISSES FISHY ODOR SURROUNDING ENTERPRISE, AND FEELS
THIS IS A NOTHING VENTURED, NOTHING GAINED SITUATION. THOUGHTFUL
OBSERVERS IN AND OUT OF GOT FEEL KING MAY COMPROMISE GOOD NAME OF
TONGA IF HE COUNTENANCES SHADY FINANCIAL OPERATIONS EVEN SHOULD
SUCCESSFUL VENTURES BENEFITING TONGANS MATERIALIZE. AID DONORS COULD
WELL HESITATE TO ASSIST MID-PACIFIC MACRAO. (JAPANESE AND TAIWAN

INTERESTS HAVE PLANS FOR CASINOS.)

7. WIDELY EXPECTED FLOP OR CURTAILMENT OF BANK SCHEME CARRIES
BROADER IMPLICATIOKNS THAN DAMAGE TO TONGA'S REPUTATION. KING IS
BRIGHT ANDDETERMINED MAN, THOUGH HE OFTEN SEEMS HEEDLESS OF PARACTIC
AL
CONSIDERATIONS. HE SMILINGLY DENIED TO VISITING
CINCPAC, FOR EXAMPLE, THAT RUSSIANS HAVE MADE ANEW APPROACH ON
AIRPORT BECAUSE "ITS UNNECESSARY. THE CANADIANS WILL DO IT ALL." IF
CONSORTIUM UPON WHICH HE APPEARS PIN SUCH HOPES FAILS TO
DELIVER, HE COULD WELL TURN IN THE END TO RUSSIANS TO IMPROVE
AIRPORT IN RETURN FOR FISHING BASE THEY DESIRE IN TONGA.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, BANKS
Control Number: n/a
Copy: SINGLE
Sent Date: 16-Sep-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977SUVA01109
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770336-0411
Format: TEL
From: SUVA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770953/aaaabspy.tel
Line Count: 128
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 7cd5ab43-c288-dd11-92da-001cc4696bcc
Office: ACTION EA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 WELLINGTON 3999, 77 WELLINGTON 1697
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 17-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1237952
Secure: OPEN
Status: NATIVE
Subject: TONGAN BANK OF THE SOUTH PACIFIC
TAGS: EFIN, TN, TONGAN BANK
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/7cd5ab43-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009